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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000611

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TAGS: [EFIN](#) [ECON](#) [PREL](#) [PGOV](#) [IZ](#) [KU](#)  
SUBJECT: MINISTER OF FINANCE DISCUSSES SURPLUS, PLANNING,  
AND OPPOSITION TO IRAQI DEBT RELIEF

REF: KUWAIT 488

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d).

¶1. (C/NF) Summary: On April 23, Ambassador paid a courtesy call on recently-reappointed Minister of Finance Bader Meshari Al-Humaidhi. Al-Humaidhi, who has been reappointed to this position four times in the last two years, announced that he has also been appointed Supervisor of the Higher Council of Development and Planning (HCDP), formerly the Ministry of Planning. Outlining priorities and potential challenges in both portfolios, he expressed concern about negative cash flows and vowed to continue his legal reform efforts to include the passage of investor-friendly legislation to lower the tax rate from 55 to 15 percent and to create public-private partnerships. As the new HCDP Supervisor, Al-Humaidhi said a priority will be to streamline the process for selecting consultants for large infrastructure projects. When asked, Minister Al-Humaidhi reaffirmed the GOK's opposition to Iraqi debt relief warning that raising this issue "will only create problems for both sides." End summary.

Dual Roles: Finance and Development  
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¶2. (C/NF) In his continuing role as Minister of Finance, Al-Humaidhi identified legal reform as one of his main priorities. He announced his ambition for a new tax law lowering the tax rate from 55 to 15 percent and a public-private partnership law to be passed before Parliament's summer holiday. He noted that swift action is essential as investors, both Kuwaitis and expatriates, are weary. "Business is slow, people are staying away, and even Kuwaitis are investing abroad," he explained, adding that in 2005 only "KD 250 million (USD 875 million) came into Kuwait while over KD 4 billion (USD 14 billion) went out."

¶3. (C/NF) Al-Humaidhi has also been appointed Supervisor for the Higher Council of Development and Planning (HCDP). (Background: HCDP replaced the Ministry of Planning and was under the supervision of the Ministry of State until the appointment of Faisal Mohammed Al-Hajji Boukhadour as the Deputy PM and Minister of State for Cabinet Affairs in March 2007. Al-Hajji has made a concerted effort to delegate supervision of a number of functions, including HCDP and the Credit and Savings Bank, to other government entities. End background.) In his new capacity, Al-Humaidhi noted that one of his first priorities will be to streamline the process for engaging consultants on large projects by forming a committee to "cut through the red tape." He complained that consulting committees take too much time and noted that the progress, or

lack thereof, of the airport expansion project in particular has been raised by the Amir. Al-Humaidhi also expressed frustration with the continued slow pace of development and economic reforms in Kuwait despite pressure from GOK officials and asked if it takes this much time to pass legislation in the U.S. Ambassador stressed that sustained engagement on the key issues is essential to passing legislation in both the U.S. and Kuwait.

#### Surplus Must Be Used Wisely

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¶4. (C/NF) Al-Humaidhi cautioned that his optimism for the current budget surplus (estimated at USD 17.5 billion, per reftel) is tempered by the unpredictability of oil prices and MPs' and Municipality officials' penchant for fiscally irresponsible spending. "MPs want to please their voters and never propose any bill without a cost for the government," he said. In the last six months, he explained that MPs tried but failed to cancel consumer loans, successfully passed a new stipend for university students, and are now pressing for a KD 50 pay raise for government officials. Al-Humaidhi noted that in the case of the university stipend the Amir himself rejected Parliament's ruling but was later overruled by a two-thirds majority of MPs. The next test may be the proposed KD 50 salary increase which he said "the government does not support...but may be unable to stop."

¶5. (C/NF) Of the over KD 10 billion worth of projects already submitted to Parliament, Al-Humaidhi would like to use the surplus for development projects in the health, education, roads, energy and other key sectors. He stressed that the surplus must be invested wisely to save for the future and to keep it away from unproductive spending,

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concluding that with tight controls Kuwait's reserves went from KD 20 billion (USD 70 billion) after the invasion to KD 50 billion (USD 175 billion) at present.

#### Streamlining and Regulating BOTs

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¶6. (C/NF) Al-Humaidhi believes that one entity chaired by the Ministry of Finance should approve all BOTs to ensure consistency in procedures and pricing. He will endeavor to make this vision a reality but acknowledged that he faces strong opposition from Parliament and, albeit to a much lesser extent, from Municipality officials.

#### Iraqi Debt Relief Not An Option

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¶7. (C/NF) The Ambassador urged a fresh look at Iraqi debt relief noting Iraqi PM Al-Maliki's visit to Kuwait the next day. Al-Humaidhi responded that the political environment in Kuwait does not support Iraqi debt relief, and it would therefore be very difficult to entertain such a proposal, even in principle. Al-Humaidhi further noted that raising the issue would "only create more problems" for both Iraq and Kuwait.

#### GCC Monetary Union Still Viable

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¶8. (C/NF) Al-Humaidhi briefly noted that he does not believe Oman's decision to withdraw from the future GCC Monetary Union will preclude its establishment. Pointing to the EU, he said that Oman like the UK should have the option of joining at a later date.

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LeBaron